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SUBJECT: HOWARD GAINS LITTLE AT CAMPAIGN MIDPOINT

REF: A) CANBERRA 1588 B) CANBERRA 1596 C) CANBERRA

1595 D) CANBERRA

Classified By: Political Counselor James F. Cole for reasons 1.4 (b) and (d).

11. (C/NF) SUMMARY: At the halfway point of the campaign, there is little indication that the Coalition is turning its position around. Buoyed by a better Newspann (that cut the Australian Labor Party's (ALP) lead over the Coalition to eight points) and a gaffe by the ALP's environment minister, this week had started well for the Howard Government. However, the Health Minister's denigration of an asbestos victim and his late arrival and testy performance at a debate with his ALP counterpart managed to end whatever momentum the Coalition might have had. The ALP ended the week with the release of another "me too with a twist" policy, this time for the elderly, which it hopes will halt the Coalition's apparent growing strength among older voters. A poll released Friday, November 2, showed the Coalition had not gained ground since the campaign began. While the Government leads on the issues of who the voters trust to manage the economy and keep interest rates low, the ALP is still leading 55-45 on the two-party preferred vote. Howard remains popular but ALP leader Kevin Rudd is polling significantly higher. The big issue of next week will be another predicted lifting of interest rates by the Reserve Bank. Both Monday's Newspann and today's Nielsen poll indicate that voters will not blame the Government for the increase but this could still be the defining issue of the campaign as it goes to the heart of the Coalition's key political strength - economic management. END SUMMARY

MIXED WEEK FOR BOTH PARTIES

12. (SBU) After a better-than-expected Newspann and mix-up on

climate change policy by the ALP's environment spokesman Peter Garrett (see refs A and C), the Coalition had begun week three of the six-week campaign with the political wind at its back. A series of nationally-televised lunch-time debates between senior Government ministers and their ALP counterparts began with strong performances by Treasurer Peter Costello and Shadow Treasurer Wayne Swan (ref D). However, Health Minister Tony Abbott -- a capable performer with a sharp tongue but questionable judgment -- managed to halt the Government's momentum by insulting a wheelchair-bound asbestos victims-rights campaigner the day before he arrived late to his nationally-televised debate with his ALP counterpart (ref B). His testy performance at and after the debate only served to obscure PM Howard's announcement of government-funded outpatient clinics around the country. Meanwhile, the ALP matched the Coalition's previously-announced AU\$4 billion handout to senior citizens. They changed the policy somewhat but essentially promised the same.

LABOR KEEPS ITS TEN POINT LEAD

13. (U) While Tuesday's Newspoll was seen as good news for the Coalition -- since the ALP's lead had halved since the previous week's poll -- the ALP still had a commanding eight point lead. Friday's A.C. Nielsen poll was essentially unchanged from its mid-October poll (eight point ALP lead). While 51 percent of those surveyed approve of John Howard's performance, 60 percent approve of Kevin Rudd's. Rudd leads as preferred prime minister 49-41.

HOWARD TARGETS VICTORIA

14. (C/NF) Howard spent a large part of the week making announcements in Victoria where the ALP is targeting four Coalition seats -- all with margins of between five and six percent. Two months ago, both sides believed there would almost certainly be no seats changing hands in Victoria. However, with the ALP maintaining its big lead in the polls, a seat-gain by the ALP in Victoria looked increasingly possible. Rudd has campaigned in the seats, and now Howard has been forced to spend more time in Victoria. Interestingly, the ALP state director for Victoria told Melbourne poloff that the ALP would likely not win any additional seats in Victoria. The margins are big; the Coalition has been making a number of expensive promises; and the local Liberal members are well-liked. A contact with ties to Rudd claimed that the Opposition Leader is campaigning in seats he knows he likely will not win in order to foster a sense of inevitability about his victory and force the Coalition to spend resources defending the seats.

NEW SOUTH WALES LOOKS BAD FOR GOVERNMENT

15. (C/NF) In contrast to Victoria, the ALP is ratcheting up pressure on the Coalition in New South Wales (NSW). According to Environment Minister Malcolm Turnbull, campaign manager, Scott Briggs (protect), recent internal Liberal Party polling showed that ALP candidates are making a serious contest of four Sydney seats once considered safe by the Liberal party: MacArthur, Hughes, Greenway, and North Sydney, held by Industrial Relations Minister Joe Hockey. While the Liberal Party incumbents remain ahead in the polls and should win their elections, the campaign manager explained, the surge by the ALP is forcing the Liberal Party to spend extra resources defending relatively safe Liberal Party seats.

16. (C/NF) Turnbull's campaign manager also conceded that the ALP looks to be on track to win at least four seats in NSW: Lindsay, Macquarie, Eden-Monaro, and Dobell. He noted that Prime Minister's seat of Bennelong, Environment Minister Malcolm Turnbull's seat of Wentworth, Local Government Minister Jim Lloyd's seat of Robertson, and the National Party seat of Page, where the incumbent is retiring, remain the real battleground seats for the election. He conceded that the ALP is looking very strong in Robertson, where incumbent minister Lloyd is having trouble convincing voters

that he has successfully represented local interests in Canberra. In the seat of Bennelong, PM Howard had been trailing his opponent Maxine McKew in the Liberal party's internal polls but recent polls are showing that he is pulling ahead. Turnbull, fighting to hold his marginal Sydney electorate of Wentworth, had maintained a slight edge over his opponent in internal polls until last weekend when newspapers reported he had tried and failed to convince the Howard cabinet to ratify the Kyoto protocol. Nonetheless, Briggs is optimistic that Turnbull will barely hold Wentworth. The National Party remains optimistic it can hold the seat of Page, according to the chief of staff to the leader of the NSW National Party. The central coast seat of Patterson is also shaping up to be a close contest, according to the campaign manager, but he believes the incumbent liberal party MP will retain it.

COMMENT: COALITION FRUSTRATED BY FAILURE TO GAIN GROUND

17. (C/NF) The economy is strong. There are no government scandals. The Prime Minister's approval rating remains above 50 per cent in most polls. With the economy doing so well and Howard not disliked, what is going on? A recent analysis of polling data by "The Australian" newspaper pointed out that Labor is favored by every age group except those over 55 years old. With the Government having been in power for 11 years, younger voters do not remember the hard times under Labor, and therefore have no basis for comparison. Combine this with the mood for change and the fact that many blue collar voters feel betrayed by Howard passing what they believe to be unfair workplace relations laws and Labor's consistent lead makes more sense.

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